Icon Systems

Simple to Use. Power to Grow.

Accounting Setup Guide

Accounting Setup Guide

Updated: November 2024

Table of Contents

Getting Started with Icon Systems Accounting

*** The following document was written by Icon Systems, an accounting software company, on how to set up the accounting module. It is the organization's responsibility, along with their CPA, to interpret these instructions and determine how to use the software to get the desired results to ensure proper setup. Proper account setup will impact the type of information available, accuracy, tax reporting requirements, and ease of use within the software.***

This guide is very in-depth and explains how the system works in detail. We recommend reading it in full. The numbered items in blue text are the **step-by-step instructions** to set up your accounting. Sections of *additional information,* outlined in orange, will also be included along the way. The additional information is helpful knowledge that is not required to set up the system but will be very useful in implementing Icon's Accounting. Check out our YouTube video series that walks through the accounting setup: Click Here.

We also highly recommend reading our **free** e-book on fund accounting to understand fund accounting concepts.

1. Setup the Organization's Information

- Go to Settings → Setup → Church Information.
- Select the starting month from the drop-down in the 'First Month in Fiscal Year' field. For example, if you are on a calendar year, it would be January. If your fiscal year goes from July to June, it would be July.
- Enter the 'Beginning Balance Date'.
    - If the fiscal year is Jan. to Dec. and you are beginning the system on Jan. 1st, 2024, set the date to Dec. 30th, 2023. You want to leave one day in the previous year (Dec. 31st) to input uncleared transactions before the new year 2024 starts.
    - If the fiscal year is July to June, and you begin the system on July 1st, 2023, the date should be set to June 29th, 2023. You want to leave one day in the previous fiscal year (June 30th) to input uncleared transactions before the new year 2023 starts. In this scenario, the fiscal year 2023 starts on July 1st, 2023, and ends on June 30th, 2024.
    - Another scenario is starting the system somewhere mid-year. For example, your fiscal year is January through December, but you will begin using the accounting on April 1st, 2024. In this case, your beginning balance date would be March 30th, 2024. Again, you want to leave one day in the previous month (March 31st) to input uncleared transactions before the new month starts on April 1st, 2024. **Note:** In this scenario, the organization would not have any detailed account activity from Jan to March.
- Next, select the 'Reversing Journal Type' (Reverse Journal, Zero Journal or Delete Journal).

- ○ <u>Reverse Journal:</u> This option leaves the original journal as is and creates a new one, negating the entries of the original journal.
- ○ <u>Zero Journal:</u> This option zeros the amount fields of the original journal and adds a notation that the journal was reversed, who reversed it, and the date it was reversed.
- ○ <u>Delete Journal:</u> This option is the default. It will physically remove the original journal from the system and enter a notation in the transaction log file. However, this transaction will still appear in the Audit Log as deleted under General-Ledger → GL → Audit Log.
- This window also allows you to input the organization's name, address, and other information used throughout the system. Please complete this information and be sure to click 'Save.'

2. **User Settings**

- Go to Settings → Preferences → User Settings.
- Set the 'Fiscal Year to work with' to the fiscal year you will enter the beginning balances.
- Ensure 'View Accounting' is set to 'YES,' then click the save button at the bottom.

Personal Preferences Additional Information

- ❖ *Note: When setting up the beginning balances, this should be set for the year you are entering the balances. Review the two examples below and adjust the years accordingly for your situation.*
- ❖ *A fiscal year that is the same as the calendar year (Jan to Dec) – your fiscal year should be set to the year prior to when you want to start the system. If you are starting on Jan. 1st, 2024, then the 'Fiscal year to work with' setting should be 2023 while you enter the beginning balance and uncleared transactions. You would change this to 2024, however, before entering any Jan 2024 transactions.*
- ❖ *A Fiscal year that is not the calendar year, such as July to June – typically a non-calendar fiscal year, will start in the year of the following calendar year (IE, July 2023 will be the start of your 2024 fiscal year.) If you were planning to start the system in July 2023, you would set this fiscal year to 2023 to enter the beginning balances and uncleared transactions in the prior month, June, which is part of the 2023 fiscal year. When you are ready to enter in data for the 2024 fiscal year starting on July 1st, then change this setting to 2024.*

3. **Accounting Funds & Divisions**- If your organization is for profit and you only track one department or location, you can skip step 3.

- Nonprofits go to General Ledger → Funds → Accounting Funds
- Businesses go to General Ledger → Divisions → Division Maintenance
- Add a new fund/division:
    - Choose 'Add a New Fund' from the Fund List/Division List drop-down.
    - Enter the Name.
    - Select the 'Status'
    - Nonprofits will need to select the fund 'Type.'
    - Click the 'Add' button.

General-Ledger : Accounting Funds

In add mode

Fund List	Fund Name	Status	Type
Add a New Fund ▼	Youth Fund	Active ▼	Unrestricted ▼

Add   Clear   Delete

General-Ledger : Division Maintenance

In add mode

Division List	Division Name	Status
Add a New Division ▼	Shoe Department	Active ▼

Add   Clear   Delete

Accounting Funds Additional Information

❖ *If using the membership side of the system, it's essential to understand that **two different types of Funds** can be created. Understanding the differences is essential to setting up the chart of accounts, funds for donations, and funds for accounting. It also helps to know which side of the system corrections are made, as both sides can work independently or together within one system.*
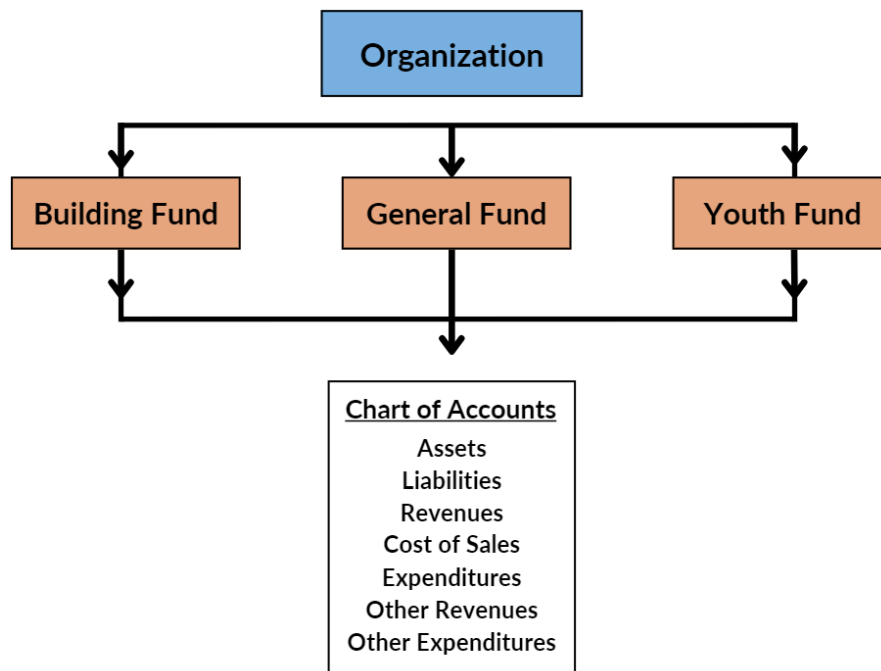
  ▫ *Donation Funds*
    ▪ *Donation Funds (D-Funds) are funds that people donate to. Donation Statements are printed from information posted to D-Funds, and corrections to those statements must be made on the donation side of the system.*

- Donation Funds are entered through the Donations module in the Donations → Funds & Donations window.
- Some differences are: D-Funds start at zero each year, money is not rolled over to the new year, they contain pledges, and the balance **does not** go up and down.

☐ *Accounting Funds*
- Accounting Funds (A-Funds) are funds defined by the financial group to manage the finances. When a financial statement is incorrect, the user corrects the transaction on the accounting side of the system.
- A-Funds do not zero each year; their balances roll forward. Budgets can be entered by A-fund, and fund balances fluctuate depending on revenue and expenses.

❖ Fund names can be modified anytime.

❖ A fund cannot be deleted once dollars have been posted to it; however, its status can be set to 'Inactive.' Once the status is set to Inactive, the fund will no longer appear in any drop-down menus. The fund will appear in financial reports, provided activity occurred during the specified date range.

❖ If you need to merge funds, you can do this with the 'Close Fund' option under the GL menu. Closing a fund will prompt you to choose which fund to move the history into.

❖ Below is a conceptual illustration of how funds work with the Chart of Accounts (COA) under the organization's authority. The funds oversee the COA, not the other way around. For example, the checkbook is not assigned to just one fund. The funds keep track of how much money each has within the checkbook. Icon Systems runs reports at the fund level. All funds share the same COA, so it is possible to have <u>one revenue account</u> tracking the revenue for the Building, General, and Youth Funds. The organization would still know exactly how much revenue came into one revenue account as reports are created based on each fund. Think of funds as an additional layer of reporting.

```
                    ┌─────────────────┐
                    │  Organization   │
                    └─────────────────┘
                             │
        ┌────────────────────┼────────────────────┐
        ▼                    ▼                    ▼
┌───────────────┐   ┌───────────────┐   ┌───────────────┐
│ Building Fund │   │ General Fund  │   │  Youth Fund   │
└───────────────┘   └───────────────┘   └───────────────┘
        │                    │                    │
        └────────────────────┼────────────────────┘
                             ▼
                 ┌──────────────────────┐
                 │  Chart of Accounts   │
                 │      Assets          │
                 │     Liabilities      │
                 │      Revenues        │
                 │    Cost of Sales     │
                 │    Expenditures      │
                 │   Other Revenues     │
                 │  Other Expenditures  │
                 └──────────────────────┘
```

❖ A separate 'Statement of Activities' (sometimes referred to as a Profit and Loss statement) and a 'Statement of Financial Position' (sometimes referred to as a Balance Sheet) can be run for each fund defined and for all accounting funds combined.

> ❖ *Funds are Net Asset accounts and can't be directly affected by journal entries. Net Assets (Funds) decrease or increase based on transactions like writing a check for an expense item or entering in revenue. In this process, you assign the transaction a fund that is affected, therefore making its balance go up or down. Funds are separate from the debit and credit disbursement accounts.*

4. Chart of Accounts (COA)

- Go to General-Ledger → GL → Chart of Accounts.
- You can use this window to view the chart of accounts, rename an account, delete unused accounts, inactivate accounts, move an account, or create new accounts.
  - You have the option to install a default chart of accounts. Accounts that are not required can be renamed or removed. This is indicated to the right of each account in the 'Required' column. If there is an 'N', it can be modified. If it's a 'Y', it's a required account and cannot be modified; however, sub-accounts can be created.
  - Accounts can be added as needed, so it's best to start with a small COA. To set up the beginning balances, you need to add the assets and liability accounts.
- Adding a New Account:
  - Click 'Add New Account'.
  - Select the Account Type (Assets, Liabilities, Revenue, Expenditures, etc.).
  - The sub-account drop-down contains information based on the selections from the first three drop-downs. Leave this field set to 'Not a sub-account' if the account being added is a major account. If the account is to be a sub-account of another account, then select its major account from the drop-down list.
  - Press the 'Save' button to add the account to the system. Clicking 'Close' returns you to the main COA window.

Add a New Account

Account Type	Assets ▼
Assets	Bank ▼
Type Detail	Checking ▼
Sub-account of	Not a sub-account ▼
Account Name	
Description	optional

[Save] [Close]

> *Chart of Accounts (COA) Additional Information*
>
> ❖ *Because this is a true fund-based accounting system, it has a single chart of accounts, and every fund has access to every account. For this reason, we strongly recommend that account names be kept generic. For example, 'Office Supplies—General' and 'Office Supplies—Youth' should be replaced with one account: 'Office Supplies.'*

❖ *The COA can be defined up to three levels deep, as shown below. The account 'Pastor Car' is a sub-account of 'Vehicle Insurance,' which is a sub-account of 'Insurance.' Accounts always appear in an alpha-numeric sequence within their level.*

Insurance	Expenditures
....Building Insurance	Expenditures
....Unemployment Insurance	Expenditures
....Vehicle Insurance	Expenditures
........Pastor Car	Expenditures
........Preschool Van	Expenditures

Account Name	Account Type	Category - Detail
Search...		
....Hymnals	Expenditures	Operating Expenses
....Liturgical Expenses	Expenditures	Operating Expenses
....Musicians Expense	Expenditures	Operating Expenses
....Organ/Piano Expense	Expenditures	Operating Expenses
....Sound Equipment	Expenditures	Operating Expenses
Test Account	Expenditures	Other Expenses
Bank Interest	Other Revenues	Interest Income
Investment Income	Other Revenues	Interest Income
....CD Interest	Other Revenues	Interest Income
AP Discounts Taken	Other Revenues	Miscellaneous Income

❖ *Each account belongs to an Account Type. The system breaks down the accounts according to the acceptable accounting standard of Assets, Liabilities, Revenues, Cost of Sales, Expenditures, Other Revenues, Other Expenditures, and Other Financial Sources / Uses.*

❖ ***Note on Checkbook types (important):*** *If you need to write checks from an account, although it may be a savings, money market, or other type of asset account at the bank, you will want to enter these as a checkbook type.* ***Type-Detail: Checking is the only account that can be used for writing checks.*** *If an account was set up with the wrong type-detail (savings, for example) and you realize you need to write checks, you will not have this ability, and you can't transfer the information from one account to another.*

5. Entering Beginning Balances

- Go to General Ledger → Funds (or Divisions) → Beginning Balances
- Whatever accounting system you were using, will have balances for each fund/division (Net Asset). Those balances will be needed to distribute the money within each account.
- We recommend using the end of the month for balances so you have official bank statements.

- Icon Systems is a true fund accounting system, so each fund will have a beginning balance-assuming its balance is not zero.
- **Remember:** No matter what system you are coming from, the bank statement balance is indisputable and should be used over the current systems reports.

General-Ledger : Beginning Balances

If the account you want does not exist please proceed to the Chart of Accounts to add it.

Beginning Balance Month December 2023

Select a Bank Account   Checking   **2** ▼

Bank Accounts **1**	Balance on the Bank Statement	$155,015.36	✎ ← **3**
Accounts Receivable	Unreconciled Deposits	$0.00	✎
Fixed Assets	Unreconciled Checks	$347.11	✎
Other Assets	Unreconciled Bank Balance	$154,668.25	
Accounts Payable			
Credit Cards	Search...		
Liabilities	$82,356.71	General Fund	
Notes Payable	$38,971.09	Building Fund	
4	$17,412.15	Memorial Fund	
	$10,711.41	Missions Fund	
Complete Beginning Balances	$5,216.89	Youth Fund	
Post or Clear **5**			

$0.00   **Amount Left To Distribute**

1. Bank Accounts: Click 'Bank Accounts' on the left.
2. Select a Bank Account: Click on the drop-down and select a bank account.
3. Edit Icon: Click on the icon to enter dollar values.

- **Balance on the Bank Statement:** This opens another window where you will enter the balance from your bank statement.

Balance on the Bank Statement   155015.36   Save   Close

- **Unreconciled Deposits:** Enter deposits that have not yet been posted to the bank statement.

- **Unreconciled Checks:** Enter uncleared checks.

4. Amount Left to Distribute: Distribute the checkbook balance to the individual funds/divisions. The Amount Left to Distribute should be zero when you are finished making your distributions.

- Once you are finished entering all the information for the bank accounts, move on to Fixed Assets, Other Assets, Liabilities, and Notes Payable in the left menu until you have all of your information entered. AR, AP, and Credit Card information can be entered using the beginning balance window or the module itself. If you use the module to enter beginning balances, please remember to maintain the beginning balance date for transactions.

5. Posting Beginning Balances:

- Once you are finished entering **all** beginning balances, click 'Post or Clear.'
- This will launch a new window with two options, 'Post Beginning Balances' and 'Clear.'
- By posting the beginning balances, the information will be entered into the accounting system.
- If accounts do not balance (the Amount left to Distribute is not zero), you will receive an error. Once you have fixed the error, try posting again.
- If you forgot to include something, you can go back, add it, and post again. **This will not duplicate the prior posting.** It will only post what was added.
- Beginning Balances cannot be modified once transactions have been reconciled.

- The second option is to Clear. **This will clear ALL BEGINNING BALANCES entered**. Only use this button if you wish to start over again.

General-Ledger : Beginning Balances

Beginning Balance
Month
December 2023

Checking ▼

Bank Accounts

Accounts Receivable

Fixed Assets

Other Assets

Accounts Payable

Credit Cards

Liabilities

Notes Payable

Apply the Beginning Balance values

Post Beginning Balances

Clear the Beginning Balance
values you Previously Posted

Clear

Complete Beginning
Balances

Post or Clear

6. Entering Vendors

- Vendors can be added in Banking or AP.
    - Banking → Enter Transactions and click 'Add/Edit Vendor' at the top of the window.
    - AP → Enter & Pay Invoices and click 'Add/Edit Vendor' at the top of the window.
- Once vendors are entered, they can be used in Accounts Payable (AP), Credit Cards, and Check Writing. These modules share the same vendor list and consolidate the vendor activity on one screen (AP → Vendor Activity) no matter where the transaction happened.
- To enter a vendor, enter their name, address, and other information and click save. This information can be modified at any time. 'Vendor Name' is the only required field.
- **Note (Important):** If 1099 information is needed for vendors, please ensure the 'Track 1099' option is set to 'Yes' and click the 'Save' button.
- A 'Default Fund' (division) and 'Default Expense' can be entered for the vendor, speeding up the input when writing checks. If these options are not selected in the setup screen, they will be assigned with the first transaction attributed to this vendor.

Vendor Form

List of Vendors	Moorhead Utilities ▼
Vendor Name	Moorhead Utilities
Name on check	Moorhead Utilities
Bookkeeper	
Address 1	1100 32nd Ave S
Address 2	Suite G
City	Moorhead
State	MN Postal Code 56560
Country	
Email	
Terms	Net 30 ▼
Discounts Taken	*** Select An Account *** ▼
Default Expense	No Default Account Selected ▼
Default Fund	Select Default Fund ▼
Website	
Extra 1	
Extra 2	

Business Phone	(218)236-1899
Cell Phone	
Cell Phone 2	
Fax	
Tax Id	
Account Id	
Track 1099	Yes
Vendor Notes	

Print Label   Print Envelope   Clear   Delete   Close   Save

7. **Entering Uncleared AP Transactions**- If the organization is cash-based, skip this step

- To enter previous AP invoices, go to AP → Enter & Pay Invoices.
  - Only use AP if your organization uses Accrual-based accounting. If you are unsure which method to use (Accrual or Cash Basis), review the bylaws or consult the board. Keep in mind that Accrual-based accounting is more time-consuming.
  - Any outstanding invoices that have not been paid should be entered using a date of 12/31 if your fiscal year is Jan – Dec or June 30th if you have a July to June fiscal year.

Enter Invoice / Credit Memo

Pay to the Order of	Moorhead Utilities ▼
Invoice / Credit Memo	Invoice ▼
Terms	Net 30 ▼
Memo	
Doc Number	
Date	05/08/2024
Due Date	06/07/2024
Amount	752.00

Vendor History

Date	Amount	Doc Number
	There are no records to show.	

+/-	Fund	Account Type	Account	Debit	Credit	Memo	•••
-	General Fund ▼	Expenditures ▼	Utilities ▼	$752.00	$0.00	Utilities	
+							

8. **Entering Credit Card Payables**- If the organization does not have any outstanding credit card charges, skip this step

- Go to Banking → Enter Transactions. Click 'Enter Charge' on the line specific to the credit card you want to input a charge for. Select a vendor and enter a memo if needed. Designate whether the transaction is a charge or credit in the drop-down menu. The Ref # defaults to

EFT; update it if needed. Enter the date and dollar amount. Select the appropriate fund/division and expense account if needed and Click 'Post Transaction' when finished.
- A credit card charge increases the Credit Card Payable (Credit Card) selected, while a credit memo reduces the Credit Card Payable account selected.

Enter Charge						Vendor History			
Credit Card	Visa Card	▼	Balance $0.00	Ref #	EFT	Date ⇕	Amount ⇕	Doc # ⇕	Memo ⇕
Vendor	Amazon	▼	Add Vendor	Date	05/08/2024				
Credit Card Memo				Dollar Amount	200.00	There are no records to show.			
Charge or Credit	Charge	▼							

+/-	Fund		Account Type		Account		Debit	Memo	•••
-	General Fund	▼	Expenditures	▼	....Office Supplies	▼	150.00	....Office Supplies	
-	General Fund	▼	Expenditures	▼	....Repairs & Renovations	▼	50.00	....Repairs & Renovations	
+									

9. **Entering AR items & Customers**- If the organization does not use AR skip steps 9 & 10

- Before entering invoices in Accounts Receivable (AR), the organization must set up the Items List and the Customers List. These lists are both set up under AR → Invoices and Payments. Items could include room rentals, books, and supplies. Customers are the people who purchase items or services from the organization.
- To add or edit Items, click 'Add/Edit Items' at the top of the window. Prices, descriptions, and other aspects of the item can be modified when the invoice is created. You can edit items by clicking the pencil/paper icon to the left of the Item name on the Invoices & Payments window.
- Click 'Add New Item,' give the item a code, description, and price, and choose a revenue account the payment will be credited to.

Item List

+/-	Item Code ⇕	Description ⇕	Price ⇕	Account		Inactive ⇕	••• Q ⇕
	Search...						
-	Books	Books	15.99	Revenues : Sale of Books & Other Religious Items	▼	☐	
-	Rent	Rent	200.00	Revenues : ....Room Usage Rental	▼	☐	
-	Class	Intro to Accounting	50.00	Revenues : ....Program Fees	▼	☐	

Add New Item   Close

Accounting Setup Guide © 2024 Icon Systems, Inc.

- Entering customers is similar to entering vendors in AP. The 'Customer Name' field is the only required field to save the customer record, but you can use the record to the extent you like. There is a notes area where you can keep a log of communication. Additionally, applicable taxes and terms can be set up that will be applied to the customer.

AR : Invoices & Payments

| Add Invoice / Credit Memo | Add/Edit Customer | Transfer Transactions | Refund Customers | Recurring Batches | Customer List / Item List |

Customer Form

List of Customers Add New Customer ▼

		Ship To Address
Customer Name	Susie Tevans	Name Susie Tevans
Name on Invoice	Susie Tevans	Address 1
Bookkeeper		Address 2
Account Id		City
Address 1		State Postal Code
Address 2		Country
City		
State Postal Code		**Customer Notes**
Country		
Email		
Terms	Net 30 ▼	
Discounts Taken	*** Select An Account *** ▼	
Tax Code	Tax Exempt ▼	
Tax Id		
Website		
Business Phone		
Cell Phone 1		
Cell Phone 2		
Fax		

Print Label   Print Envelope   Delete   Close   Save

☑ Show Items

10. Entering AR Invoices

- Enter only those items that were sold and have not yet been paid before the beginning balance date.
- Go to AR → Invoices & Payments → Add Invoice / Credit Memo
- Select the Customer
- Enter the P.O. Number and Accounting Memo if needed
- Enter the date of the invoice
- If needed, select the fund/division and then the item. The link item description should populate based on what you entered when setting up your sale items. Then enter the quantity and click "Post Invoice"

Enter Invoice / Credit Memo

			Customer History		
Invoice Customer	Susie Tevans ▼	Date 05/08/2024	Date	Amount	Inv/CM
Invoice / Credit Memo	Invoice ▼	Ship Date 06/07/2024	There are no records to show.		
Terms	Net 30 ▼	Remit To MainOrg ▼			
P.O. Number		Sales Rep - ▼			
Accounting Memo	Room Rental	Via - ▼			

+/-	Fund	Item	Line Item Description	Quantity	Unit Price	Tax %	Ext Price	•••
-	General Fund ▼	Rent ▼	Rent	1	200.00	0.000	200.00	
+								

11.First Bank Statement Reconciliation

The first reconciliation is different from most because you won't be marking transactions from your statement but rather the beginning balances that have been entered.

Reconciling the beginning balances is important because any unreconciled transactions will continue to show as transactions that need to be reconciled in future reconciliations.

1. Go to Banking: Reconcile Account. Select the account to reconcile and click 'Add Statement'.
2. Enter a Statement date. The date you choose should be the date of your beginning balances. In this example, we're using 12/15/2024 to match our beginning balance date.
3. The Beginning and Ending Balance can be left at $0.00 since you're not reconciling a bank statement.
4. Click on the 'Edit Reconcile' icon to open the reconciliation window.

Banking : Reconcile Account

From 01/01/2024 to 12/31/2024

Account: Checking ▼ [Add Statement]

Statement Date	Beginning Balance	Ending Balance	Interest	Service Charges	Deposits	Withdrawals	Edit Reconcile	Status
Search...								
12/15/2024	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	✎	Unposted

5. Click to mark the transactions with the BBAL label that **are not** outstanding deposits or checks. You will need to reconcile outstanding transactions when they clear the bank.

- In the example above, the balance for the account at the end of 2023 is $65,000. That balance is used to start 2024. There are no outstanding checks or deposits, so the only transaction to mark is BBAL-1.

Banking : Reconcile Account

Account: Checking

Reconcile Statement
12/15/2024

Beginning Balance		Interest		Service Charges		Net Transactions		Calculated Balance		Ending Balance
$0.00	+	$0.00	−	$0.00	+	$65,000.00	=	$65,000.00		$65,000.00

Interest Account:
Bank Interest ▼

Service Charges Account:
Bank Service Charges ▼

Fund for Interest & Service Charges:
General Fund ▼

Transactions

☑ Mark All	Date	Deposits	Withdrawals	Payee	Journal	
Search...						
☑	12/15/2024	$65,000.00		BBal Entry	BBal-1	

Print ▼ ☐ Include unreconciled transactions in report

Total Debits $65,000.00

Total Credits $0.00

Remaining balance: $0.00

[Close Reconcile] [Post Statement]

> **Bank Reconcile additional information**
>
> ❖ **Important:** *After the first bank reconciliation, beginning balances can't be entered or changed using the 'Beginning Balances' screen. Corrections will need to be made using a journal entry.*
> ❖ *NOTE: It is critical to have the first statement correct. This will affect all future statements.*
> ❖ *Once the first statement is entered and the BBAL transactions are reconciled, click the print button at the bottom left and select the "Unreconciled" report. This report will confirm that the system and bank statements are in balance.*

You're all set!

*Disclaimer: **Icon Systems Inc. does not provide professional advice.** Icon Systems Inc. is not in the business of providing legal, financial, accounting, tax, health care, real estate, or other professional services or advice. Consult the services of a professional when you need this type of assistance.*